The Credit Cardholders' Bill of Rights Act of 2009 (H.R. 627), which passed the House of Representatives on April 30th, 2009 with bipartisan support, went into effect on February 22nd, 2010. This bill amends the Truth in Lending Act and cracks down on credit card companies that take advantage of their customers through frivolous charges and increasing interest rates without explanations or warning.

Prevents Unfair Increases in Interest Rates and Changes in Terms

No more double cycle billing finance charges. Credit card issuers are prohibited from calculating finance charges using this method which causes cardholders to pay interest on previously paid balances.

No interest rate increases during the first 12 months of opening a credit card, unless the rate increase was disclosed when you first opened the credit card.

Promotional rates must last at least 6 months.

No interest rate increases on pre-existing balances. If your credit card issuer decides to increase your interest rate, that new rate would only apply to new balances. Your current balance would continue to be subject to the old interest rate. There's an exception, however, if you become more than 60 days late on your credit card payments.

Credit card issuers must give a 45-day advanced notice before increasing your interest rate or making any major change to your credit card agreement. This is a big increase over the current 15-day advanced notice requirement.

Your interest rate could increase if you don't make the minimum payment within 30 days of your due date, even during the first 12 months of opening your account. You must receive a 45-day advanced notice of penalty rate increases.

Increased rates must be reviewed and lowered if the review shows changes. Credit card issuers could no longer raise your rate to the default rate and leave it there even though you've improved your payment habits.

Prohibits Exorbitant and Unnecessary Fees

Payment Allocation and Fees

Payments above the minimum must be applied to highest-interest rate balances. If you have balances with different interest rates, the new rules require banks to allocate anything over the minimum payment to your highest interest rate balance. This reduces the amount of finance charges you pay on balances.

No fees to make your credit card payment online, by mail, or over the phone, unless you make a last-minute payment over the phone and your bill is due the same day or next day.

Payments are due on the same date each month.

Limits to Over-the-Limit Fees

No over-the-limit fees unless you request (opt-in) the credit card issuer to process over-the-limit transactions. Otherwise, over-the-limit transactions would be denied and you would not incur a fee.

Only one over-the-limit fee is allowed per billing cycle. You cannot receive more than one charge for exceeding your credit limit in any billing cycle.

Only one over-the-limit fee per over-the-limit transaction. If you make a purchase that puts you over your credit limit, you should only be charged one fee for that instance. Even if your balance remains over the limit the next billing cycle, you would not be charged a credit limit fee, unless you make an additional transaction that puts your balance over the limit.

No over-the-limit fees caused by a hold on your credit limit. If a transaction, like a car rental, puts a hold on your credit limit, thereby reducing your available credit, a subsequent charge cannot put you over the limit.

Limited Fees for Subprime Credit Cards

Limits on fees for subprime or "fee harvester" credit cards. During the first year of a credit card, banks cannot charge fees that exceed 50% of the credit limit. Only 25% of the fees can be charged when the account is first opened. Any additional fees must be spread over at least five billing cycles.

Requires Fairness in Application and Timing of Card Payments

Billing statements must be sent 21 days before the due date, giving you more time to pay your credit card bill and reducing the risk of a late fee and interest rate penalty.

Mailed credit card payments received by 5 pm on the due date are on time. This keeps credit card companies from stipulating a 11:00 am due time that would make your payment late if the mail doesn't get there until 3:00 pm.

Payments are on time when received the next business day after a holiday or weekend (when the credit card company doesn't accept payment on those days). If your due date falls on a weekend and your card issuer receives your payment on the following Monday, your payment would still be considered on time. The same thing applies to due dates that fall on holidays.

Payments made at a local branch should be credited the same day.

Removal of new accounts from your credit report if you never activate or use the account, or you close it within 45 days.

Ensures Adequate Safeguards for Young People

No credit cards for minors under 18 unless they have been emancipated or are authorized users on a parent or guardian's account.

No credit cards for college students who do not have verifiable income or already has an account with the credit issuer. A college student's total available credit should not be more than 30% of his annual gross income for the previous year.

Parents must approve credit limit increases for college students with whom they have joint accounts.

Provides Enhanced Disclosure of Card Terms and Conditions

Credit card issuers are required to simplify credit card disclosures. The use of tables and bold text will be used to emphasize key information on credit card disclosures. Credit card issuers will be required to disclose the duration of penalty interest rates, simplify information about variable interest rates, and detail when grace periods do and do not apply.

Billing statements must include the effects of making minimum only payments. The statement must include a sentence stating that paying on the minimum increases interest paid and balance pay off time.

Billing statements should include detailed pay off information. At least quarterly, your statement should include:
- the number of months it will take to pay off your balance making minimum-only payments.
- the total cost of making minimum-only payments.
- the monthly payment necessary to pay off the balance in 1, 2, or 3 years.
- a toll-free number to call for credit counseling and debt management.

Credit card solicitations should include information about the effects of too many credit report inquiries. Several credit inquiries can lower your credit score.

To learn more about these changes, as well as other smart practices for choosing and using a credit card, take a look at this credit card consumer guide or printable quick reference guide produced by the Federal Reserve.